

BAX End Note

We have finally come to the end of the BAX Futures Structure Strategy.

Here are some points to leave you with before we move to the next chapter.

Point 1: Be innovative

You need to constantly be innovative to find opportunities in trading.

- BAX is just one of the many STIR futures available in the world. Look at other STIR futures for opportunities. But I suggest you avoid the popular ones like the Eurodollar. Look for opportunities in obscure markets!
- Consider incorporating kinks and drifts in your trading. But do learn more about macro if you want to do this.
- Consider dangling more when legging if you are confident.
- Build unique well-hedged structures other than the ones I covered in this chapter
- Trade more than 1 structure at a time.
- Try to outsmart your competition. Start to enter the trade before the opportunity is obvious (whether it is firing an order based on a unique leading asset that you found, better queue volume analysis or better time and sales data analysis). Be careful not to take up too much risk when the rewards are not worth it.
- For algos: Be faster than your competition. Code efficiently, time every part (especially the calculations) and keep improving your code to make sure it is as fast as possible. Use a faster language like C++ or Cython. See [programming language speed comparison](#).

Point 2: Execution-based

Most STIR futures strategy focus on execution because they are so sticky and they don't move much.

The spread might account for 1/4 of the day's movement.

For other products that are less sticky, have tighter spreads and bigger daily ranges, the execution component is not as important.

Point 3: Readings

This [book by Stephen Aikin](#) is a decent read on the basics of STIR futures trading.

Point 4: Market-making

You might not notice this, but you have learnt some basics on making markets.

A market maker is someone who makes prices (buy at the bid and sell at the ask) and provides liquidity.

More info on market

makers: <https://www.investopedia.com/terms/m/marketmaker.asp>

Market makers in banks have clients or other institutions whom they trade for or trade their positions too. We don't have that. But we spread our risks but building market-hedged structures.

E.g.

- A bank might buy a BAX at the bid price and sell it to their internal client one tick higher.
- We might buy a BAX at the bid price and short another BAX at the ask to form a BAX structure.

Point 5: Trading non-STIR futures

The general idea of market making and cointegration trading works for products other than STIR futures. This includes liquid products that do not require good execution skills.

In fact, for liquid and volatile products, we can consider using the limit-dangle-next technique more.

Don't limit yourself to STIR futures or even futures. Understand the principles behind the STIR futures structures strategy and look for creative ways to apply them.